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DEPARTMENT OF LABOR & ECONOMIC GROWTH
LANSING

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Analysis of Enrolled House Bill 6267

Topic: Real Estate Enforcement Fund
Sponsor: Representative Baxter
Co-Sponsors: No co-sponsors
Committee: House Regulatory Reform
Senate Small Business, Economic Development, and Regulatory Reform

Date Introduced: June 22, 2006

Date Enrolled: December 14, 2006

Date of Analysis: October 13, 2006

Position: The Department of Labor & Economic Growth supports the bill.

Problem/Background: Mortgage fraud has become much more pervasive in Michigan and other states. A story in the February 21, 2006 *Detroit News* noted that mortgage fraud losses in Michigan have jumped from nearly \$9 million to \$26 million over a two-year period. The article continued by quoting the FBI as identifying Michigan as one of 10 “hot spots” for mortgage and deed fraud in 2005. To date, Detroit is sixth on the FBI’s list of 2006 “hot spots” with 914 reports.

The Real Estate Enforcement Fund was created in 2003 to pay for costs related to investigation and enforcement of the Occupational Code’s prohibition of unlicensed activity. Funding came from \$15 increase in the three-year license fee paid by real estate licensees. There is currently about \$1.2 million in the Fund. With another three-year license cycle beginning there will soon be a significant infusion of additional funds.

Description of Bill: The bill adds real estate fraud to the scope of the Real Estate Enforcement Fund. The bill also changes current language that refers only to the Department of Labor & Economic Growth to include operating the fund “in conjunction with the Attorney General”. The bill also strikes the limitation in the act that restricts spending to enforcement of Article 25 of the Occupational Code (Real Estate).

Summary of Arguments

Pro: Residential mortgage fraud is a growing problem that leaves many innocent victims in its wake and may devastate entire neighborhoods. The Bureau of Commercial Services already investigates fraud cases. There were 56 such cases in 2005, 58 in 2004, and 32 in 2003.

Con: The revised language referring to the Attorney General is unnecessary. The Attorney General will ultimately receive funding as investigations progress just as is the case now.

Fiscal/Economic Impact

(a) Department

Budgetary: By expanding the scope of the Real Estate Enforcement Fund and striking the limitation on using the fund for Article 25 enforcement, the bill is intended to make additional funds available for investigation and enforcement in cases involving mortgage fraud. Currently, no money in the Fund has been spent because of a lack of reports of unlicensed activity in this area.

Revenue: The bill will have no impact on department revenue.

Comments:

(b) State

Budgetary: The bill will have no state budgetary impact.

Revenue: The bill will have no impact on state revenues.

Comments:

(c) Local Government

Comments: The bill will have no local government impact.

Other State Departments: The Department of Attorney General is affected by this bill. The Office of Finance and Insurance Services may have future involvement in some cases involving the Fund.

Any Other Pertinent Information: The Michigan Association of Realtors supports the bill. The Department of Attorney General supported the Senate substitute.

Administrative Rules Impact: No new or revised administrative rules will be required.